

**Al-Arabiya Real Estate Company
K.S.C.P. and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2017



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AL-ARABIYA REAL ESTATE COMPANY K.S.C.P. REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Arabiya Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 June 2017 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

Except as set out below in the "basis of qualified conclusion" paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

- As set out in Note 7 to the interim condensed consolidated financial information, the Group's investment in Sharm Dreams for Real Estate Development Company (the "associate"), which is accounted for using the equity method, is carried at KD 928,582 on the interim condensed consolidated statement of financial position as at 30 June 2017. The Group's share in the results of the associate was not accounted for the six month period ended 30 June 2017, since no financial statements of this associate were available as at 30 June 2017. Accordingly, we were unable to carry out appropriate review procedures to determine whether any adjustments to this amount was necessary.
- As detailed in Note 9 to the interim condensed consolidated financial information, trade and other receivables include KD 7,039,955 (31 December 2016: KD 7,039,955 and 30 June 2016: KD 7,039,955) which represents the net carrying value of a compensation claim due to the Group from previous years. This amount has not been collected up to date due to the negotiations to increase the compensation amount. Accordingly, we were unable to carry out appropriate review procedures to determine whether any adjustments to this amount was necessary.

**AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION TO THE BOARD OF DIRECTORS (continued)**

Qualified Conclusion

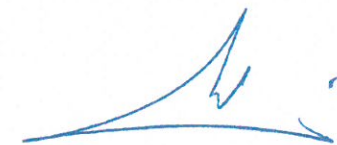
Except for effect of the adjustments to the interim condensed consolidated financial information that might have come to our attention, had the situation not been as described in the above "basis for qualified conclusion" paragraph, and based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Material uncertainty related to going concern

We draw attention to Note 2 to the interim condensed consolidated financial information, which indicates that the Group incurred a loss of KD 829,513 during the period ended 30 June 2017 (30 June 2016: loss of KD 1,297,264) and, as of that date, the Group's current liabilities exceeded its current assets by KD 27,771,291 (31 December 2016: KD 4,995,657 and 30 June 2016: KD 18,795,468). These conditions, along with other matters as set forth in Notes 6 and 12 with respect to placing an unconsolidated hotel under receivership as a result of the Group's default in repaying a bank loan obtained from a regional bank in UAE amounting to KD 14,664,849, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies' Law No. 1 of 2016, as amended, and its executive regulation or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six months period ended 30 June 2017, that might have had a material effect on the business of the Parent Company or on its financial position, except that the Parent Company has directly invested in shares of certain Companies, whose objectives are different from the Parent Company's (Note 8).



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26 July 2017
Kuwait

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

		30 June 2017 KD	31 December 2016 (Audited) KD	30 June 2016 KD
Assets	Notes			
Non-current assets				
Property, plant and equipment		19,288,209	19,861,850	20,291,710
Properties under development		999,037	688,011	499,923
Investment properties	5	120,100,818	120,317,114	123,314,707
Net assets of unconsolidated hotel	6	308,194	308,194	308,194
Investments in an associate	7	928,582	1,867,127	1,926,515
Financial assets available for sale	8	10,752,192	10,513,617	9,361,163
		<u>152,377,032</u>	<u>153,555,913</u>	<u>155,702,212</u>
Current assets				
Trade and other receivables	9	8,960,583	24,078,206	8,514,865
Cash and cash equivalents		1,057,121	1,310,978	1,372,563
		<u>10,017,704</u>	<u>25,389,184</u>	<u>9,887,428</u>
Total assets		<u>162,394,736</u>	<u>178,945,097</u>	<u>165,589,640</u>
Equity and liabilities				
Equity				
Share capital		50,984,499	50,984,499	50,984,499
Share premium		5,614,733	5,614,733	5,614,733
Treasury shares	10	(714,784)	(714,784)	(714,784)
Statutory reserve		4,569,660	4,569,660	4,569,660
Voluntary reserve		4,569,660	4,569,660	4,569,660
Other reserves	11	1,241,591	2,056,178	1,111,367
(Accumulated losses) / retained earnings		(6,126,233)	(5,296,720)	210,447
Total equity		<u>60,139,126</u>	<u>61,783,226</u>	<u>66,345,582</u>
Non-current liabilities				
Employees' end of service benefits		440,020	523,220	519,654
Loans and bank facilities	12	64,026,595	86,253,810	70,041,508
		<u>64,466,615</u>	<u>86,777,030</u>	<u>70,561,162</u>
Current liabilities				
Trade and other payables	13	5,700,241	5,613,757	5,758,956
Loans and bank facilities	12	32,088,754	24,771,084	22,923,940
		<u>37,788,995</u>	<u>30,384,841</u>	<u>28,682,896</u>
Total liabilities		<u>102,255,610</u>	<u>117,161,871</u>	<u>99,244,058</u>
Total equity and liabilities		<u>162,394,736</u>	<u>178,945,097</u>	<u>165,589,640</u>

Dr. Emad Jawad Bukhamseen
Chairman

Dr. Anwar Ali Al Naqi
Vice Chairman

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2017

	<i>Notes</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Revenues					
Net income from investment properties	14	663,409	374,066	1,425,115	738,501
Net income from hotel		414,692	488,339	962,162	1,044,048
Share of results of an associate		23,236	-	23,236	25,620
Net income from financial assets available for sale	15	577,500	27,368	854,034	261,760
Other income		116,417	243,542	237,272	369,683
		1,795,254	1,133,315	3,501,819	2,439,612
Expenses					
Foreign currency exchange differences		119,639	8,035	217,421	173,072
Staff costs		86,973	93,731	170,928	192,801
Depreciation		399,494	385,015	796,721	770,065
Other expenses		215,351	227,083	447,363	450,496
Finance costs		1,293,465	1,049,504	2,698,899	2,150,442
		2,114,922	1,763,368	4,331,332	3,736,876
LOSS FOR THE PERIOD		(319,668)	(630,053)	(829,513)	(1,297,264)
BASIC AND DILUTED LOSS PER SHARE	16	(0.63)	(1.25)	(1.64)	(2.57)

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 June 2017

	Note	Three months ended 30 June		Six months ended 30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
Loss for the period		(319,668)	(630,053)	(829,513)	(1,297,264)
<i>Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:</i>					
Change in fair value of financial assets available for sale	11	427,841	(672,315)	816,075	(2,110,074)
Impairment loss of financial assets available for sale transferred to interim condensed consolidated statement of income	11	-	-	-	14,889
Realized gain from sale of financial assets available for sale	11	(577,500)	-	(577,500)	(400)
Foreign currency translation adjustment	11	(1,012,395)	(4,587)	(1,053,162)	(387,003)
Total other comprehensive loss		(1,162,054)	(676,902)	(814,587)	(2,482,588)
Total other comprehensive loss for the period		(1,481,722)	(1,306,955)	(1,644,100)	(3,779,852)

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2017

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Other reserves (Note 11) KD</i>	<i>(Accumulated losses) / retained earnings KD</i>	<i>Total KD</i>
Balance as at 1 January 2017	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	2,056,178	(5,296,720)	61,783,226
Loss for the period	-	-	-	-	-	-	(829,513)	(829,513)
Other comprehensive losses	-	-	-	-	-	(814,587)	-	(814,587)
Total comprehensive losses for the period	-	-	-	-	-	(814,587)	(829,513)	(1,644,100)
Balance as at 30 June 2017	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,241,591	(6,126,233)	60,139,126
Balance as at 1 January 2016	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	3,593,955	1,507,711	70,125,434
Loss for the period	-	-	-	-	-	-	(1,297,264)	(1,297,264)
Other comprehensive losses	-	-	-	-	-	(2,482,588)	-	(2,482,588)
Total comprehensive losses for the period	-	-	-	-	-	(2,482,588)	(1,297,264)	(3,779,852)
Balance as at 30 June 2016	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,111,367	210,447	66,345,582

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

For the period ended 30 June 2017

		Six months ended 30 June	
	Notes	2017 KD	2016 KD
OPERATING ACTIVITIES			
Loss for the period		(829,513)	(1,297,264)
<i>Non-cash adjustments to reconcile loss for the period to net cash flow:</i>			
Depreciation		796,721	770,065
Impairment loss of financial assets available for sale	15	-	14,889
Share of results of an associate		(23,236)	(25,620)
Gain from sale of financial assets available for sale	15	(577,500)	(400)
Provision for employees' end of service benefits		55,716	56,242
Dividends income	15	(276,534)	(276,249)
Finance costs		2,698,899	2,150,442
		1,844,553	1,392,105
Changes in operating assets and liabilities:			
Trade and other receivables		15,117,623	(392,011)
Trade and other payables		86,484	(2,370,020)
Cash flows from / (used in) operations		17,048,660	(1,369,926)
Employees' end of service benefits paid		(138,916)	(35,150)
Net cash flows from / (used in) operating activities		16,909,744	(1,405,076)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(223,080)	-
Additions to properties under development		(311,026)	(78,887)
Purchase of investments properties		(243,139)	(29,478)
Proceeds from sale of financial assets available for sale		577,500	10,797
Dividends income received	15	276,534	276,249
Net cash flows from investing activities		76,789	178,681
FINANCING ACTIVITIES			
Loans and bank facilities		(13,948,753)	5,047,346
Finance costs paid		(3,436,584)	(2,903,106)
Net cash flows (used in) / from financing activities		(17,385,337)	2,144,240
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(398,804)	917,845
Foreign currency translation adjustments		144,947	-
Cash and cash equivalents at the beginning of the period		1,310,978	454,718
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,057,121	1,372,563

The attached notes 1 to 20 form part of this interim condensed consolidated financial information.

Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

1 COMPANY'S INCORPORATION

Al-Arabiya Real Estate Company K.S.C.P. the "Parent Company" was established in the State of Kuwait on 21 September 1976 and is listed in Kuwait Stock Exchange.

The head office of the Parent Company is located at Sharq, Ahmed Al-Jaber St., Emad Commercial Center, State of Kuwait. The main objectives of the Parent Company are:

- Carrying out various real estate commercial activities including procurement, sale of investments in lands and properties, managing properties for others, undertaking contracting activities and trading in all materials related to construction or required for it.
- Setting up commercial markets, tourism, sport and entertainment facilities.
- Constructing, acquiring and managing hotels and its tourism activities.
- Managing real estate portfolios for the Parent Company only and investment in the shares and projects of other companies whose activities are similar to the Parent Company's activities, establish and manage real estate investment funds only, and use the available financial surplus of the Parent Company for investment in financial and real estate portfolios managed by specialized companies.

This interim condensed consolidated financial information includes the financial information of the Parent Company and its owned subsidiary and Hotels (together referred to as "the Group") as follows:

	<i>Incorporation country</i>	<i>Activity</i>	<i>Legal entity</i>	<i>Ownership (%)</i>		
				<i>Ownership (%) 30 June 2017</i>	<i>31 December 2016</i>	<i>Ownership (%) 30 June 2016</i>
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100	100
Rotana Al Sharja Hotel (Note 6)	UAE	Services	Hotel	100	100	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100	100

The Parent Company's Board of Directors on 26 July 2017 approved this interim condensed consolidated financial information as at 30 June 2017 for issue.

2 GOING CONCERN BASIS OF ACCOUNTING

The interim condensed consolidated financial information has been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with a foreign bank and meet the mandatory repayment terms of the banking facilities as disclosed in Note 12 to the interim condensed consolidated financial information.

The Group has recognised a loss of KD 829,513 (30 June 2016: loss of KD 1,297,264) for the six month period ended 30 June 2017 and, as at that date, current assets exceed current liabilities by KD 27,771,291 (31 December 2016: KD 4,995,657 and 30 June 2016: KD 18,795,468).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that loan repayments will be met out of operating cash flows. Further, the shareholders of the Parent Company provided an undertaking to continue to provide and arrange financial support (as necessary) to enable the Group to meet its financial obligations as they fall due.

If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realize its assets and discharge its liabilities in the normal course of business at the amounts stated in the interim condensed consolidated financial information.

3 BASIS OF PREPARATION

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2017

3 BASIS OF PREPARATION (continued)

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016. Further, operating results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2016 except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial instruments with the exceptions of certain financial assets available for sale carried at cost less impairment (Note 8) are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

<i>30 June 2017</i>	<i>Level 1 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>		
Quoted securities	9,352,189	9,352,189
	<u>9,352,189</u>	<u>9,352,189</u>
<i>31 December 2016 (Audited)</i>	<i>Level 1 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>		
Quoted securities	9,113,614	9,113,614
	<u>9,113,614</u>	<u>9,113,614</u>
<i>30 June 2016</i>	<i>Level 1 KD</i>	<i>Total KD</i>
<i>Financial assets available for sale:</i>		
Quoted securities	7,961,160	7,961,160
	<u>7,961,160</u>	<u>7,961,160</u>

During the period ended 30 June 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

4 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**Non-financial instruments:****Description of significant observable inputs to valuation of non-financial assets:**

Investment properties are fair valued and are classified under level 2 and level 3 fair value hierarchy as given below:

30 June 2017	<i>Fair value measurement using</i>			<i>Total 2016 KD</i>
	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
Investment properties	-	97,956,818	22,144,000	120,100,818
<i>Fair value measurement using</i>				
31 December 2016 (Audited)	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total 2016 KD</i>
Investment properties	-	98,173,114	22,144,000	120,317,114
<i>Fair value measurement using</i>				
30 June 2016	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total 2016 KD</i>
Investment properties	-	99,439,707	23,875,000	123,314,707

There were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

There is no movement in Level 3 fair value hierarchy during the period.

Level 2 hierarchy

The fair value of investment properties under the Level 2 hierarchy were determined using the market comparable approach, conducted by valuers considering recent transaction prices of the property and similar properties. Market price per square meter and annual income are the significant observable market inputs to the valuation.

Level 3 hierarchy

The fair value of investment properties under the Level 3 hierarchy were determined using Income capitalisation approach, which is used for valuating developed properties generating rental income assuming full capacity of the property.

5 INVESTMENT PROPERTIES

	<i>30 June 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>30 June 2016 KD</i>
Properties inside Kuwait	75,622,138	75,379,000	78,979,478
Properties outside Kuwait	44,478,680	44,938,114	44,335,229
	120,100,818	120,317,114	123,314,707

Investment properties are pledged against loans and bank facilities granted to the Group (Note 12).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2017

6 NET ASSETS OF UNCONSOLIDATED HOTEL

During the year ended 31 December 2015, the Group lost control on Rotana Al Sharja Hotel (a Hotel fully owned by the Group) as a result of being under receivership (Note 12). Accordingly, the Group has ceased to consolidate the financial statements of the Hotel.

The net value of the land, buildings of Rotana Al Sharja Hotel amounting to KD 1,061,129 as at 30 June 2017 (31 December 2016: KD 1,140,185 and 30 June 2016: KD 1,391,947), which is included under property, plant and equipment in the interim condensed consolidated statement of financial position as at that date.

7 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the Group's investment in Sharm Dreams for Real Estate Development Company (S.A.E.) 21.88%.

The carrying amount of the Group's investment in the associate was determined based on the latest audited financial statements as at 31 December 2016.

8 FINANCIAL ASSETS AVAILABLE FOR SALE

The fair value of the financial assets available for sale was determined as per the valuation bases disclosed in (Note 4).

As at 30 June 2017, financial assets available for sale include investments of KD 1,400,003 (31 December 2016: KD 1,400,003 and 30 June 2016: KD 1,400,003) for which the Group was unable to determine its fair value reliably, since there is no active market for them and no recent available transaction to provide an evidence for the current fair value of such investments. Therefore, such investments were carried at cost less impairment loss.

Financial assets available for sale represents shares in other companies whose activities are not similar to the Parent Company's activities amounting to KD 10,752,192 (31 December 2016: KD 10,513,617 and 30 June 2016: KD 9,361,163).

Financial assets available for sale amounting to KD 6,696,551 (31 December 2016: KD 5,598,756 and 30 June 2016: KD 4,994,968) are pledged against loans and bank facilities (Note 12).

9 TRADE AND OTHER RECEIVABLES

	30 June 2017 KD	31 December 2016 (Audited) KD	30 June 2016 KD
Compensation receivables*	10,057,080	10,057,080	10,057,080
Provision for impairment	(3,017,125)	(3,017,125)	(3,017,125)
	7,039,955	7,039,955	7,039,955
Receivables	971,993	887,756	886,584
Advance payment for purchasing of investment properties**	626,544	16,115,292	626,544
Prepaid expenses	146,625	132,132	120,462
Advance payments to contractors	189,283	323,748	276,613
Staff receivables	27,815	26,909	27,525
Due from related parties (Note 18)	382,068	66,240	54,000
Accrued Income	-	-	11,169
Other	411,317	297,922	273,128
	9,795,600	24,889,954	9,315,980
Provision for impairment of receivables	(835,017)	(811,748)	(801,115)
	8,960,583	24,078,206	8,514,865

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

9 TRADE AND OTHER RECEIVABLES (continued)

* Compensation receivables represent the compensation due to the Group for a land in Ajman Emirate (UAE) whose ownership was expropriated for public benefit during 1996. The total amount due to the Parent Company as per the letter received from the Municipal Council of Ajman Emirate amounted to AED 220 million (in kind or cash). According to the letter of the Group's consultant, the Group has recorded an amount of KD 10,057,080 (equivalent to AED 132 million) after deducting AED 88 million in order to meet the costs and expenses necessary to finalize the claim and collection procedures. During previous years, the Group had recognized a provision for impairment of KD 3,017,125 based on management's estimates for the collectable amounts.

** During prior period, the Group paid an amount of KD 15,488,747 to a related party as an advance for purchasing an investment property in Kuwait with a total value of KD 18,000,000. In accordance with contract terms and conditions, the remaining balance of the purchase consideration had to be paid upon transferring the title deed in the name of the Group and the contract would be cancelled if the title deed is not transferred in the name of the Group before 31 March 2017 and the seller will be committed to repay the advance payment in addition to a penalty of KD 500,000.

During the current period, the contract was cancelled as the counter party failed to transfer the title deed of the investment property in the name of the Group before 31 March 2017 as per the contract terms. The Group collected the advance amount. Furthermore, the Group settled a loan which was obtained from an Islamic bank for the purpose of acquiring this investment property (Note 12).

10 TREASURY SHARES

	30 June 2017	<i>31 December 2016 (Audited)</i>	<i>30 June 2016</i>
Number of shares	4,619,962	4,619,962	4,619,962
Percentage to issued shares (%)	0.91	0.91	0.91
Market value	154,769	143,219	138,599

A part of reserves, comprising distribution of net profits, carried over profits, which equals the cost of treasury shares, shall be frozen and shall be deemed un-distributable during the period of holding such shares.

11 OTHER RESERVES

	<i>Treasury shares reserve KD</i>	<i>Cumulative change in fair value reserve KD</i>	<i>Foreign currency translation reserve KD</i>	Total KD
Balance as at 1 January 2017	1,098,372	1,227,764	(269,958)	2,056,178
Change in fair value of financial assets available for sale	-	816,075	-	816,075
Realized gain from sale of financial assets available for sale (Note 15)	-	(577,500)	-	(577,500)
Foreign currency translation adjustment	-	-	(1,053,162)	(1,053,162)
Balance as at 30 June 2017	1,098,372	1,466,339	(1,323,120)	1,241,591
Balance as at 1 January 2016	1,098,372	2,506,006	(10,423)	3,593,955
Change in fair value of financial assets available for sale	-	(2,110,074)	-	(2,110,074)
Impairment loss of financial assets available for sale transferred to interim condensed consolidated statement of income (Note 15)	-	14,889	-	14,889
Realized gain from sale of financial assets available for sale (Note 15)	-	(400)	-	(400)
Foreign currency translation adjustment	-	-	(387,003)	(387,003)
Balance as at 30 June 2016	1,098,372	410,421	(397,426)	1,111,367

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at 30 June 2017

12 LOANS AND BANK FACILITIES

	30 June 2017 KD	31 December 2016 (Audited) KD	30 June 2016 KD
<u>Current portion</u>			
Loans and bank facilities	32,088,754	24,771,084	22,923,940
<u>Non-current portion</u>			
Loans and bank facilities	64,026,595	86,253,810	70,041,508
	96,115,349	111,024,894	92,965,448

During previous years, loan installments and related finance costs of KD 14,664,849 (31 December 2016: KD 14,447,627 and 30 June 2016: KD 13,872,122) were past due and unpaid to a regional bank in UAE. The Group is currently taking the necessary action to settle or restructure such balance. The bank filed a legal case against the Group and during year ended 31 December 2015 a court decree was issued, by virtue of which Rotana Al Sharja Hotel (unconsolidated subsidiary) was placed under receivership and the creditor bank was appointed as the receiver until the current dispute between the Group and the bank is settled (Note 6).

Loans and bank facilities are obtained from local and foreign banks with annual interest rates from 2.25% to 3% over the Central Bank of Kuwait discount rate for local banks and annual interest rates from 2.25% to 4.5% over EIBOR for foreign banks.

During the current period, the Group settled a loan which was obtained from an Islamic bank amounting to KD 16,497,747 (31 December 2016: KD 16,212,300 and 30 June 2016: Nil). This loan was obtained for the purpose of acquiring an investment property in Kuwait. The Group settled the loan after cancelling the purchase contract of the investment property (Note 9).

Loans and bank facilities amounting to KD 29,296,140 (31 December 2016: KD 29,214,664 and 30 June 2016: KD 29,143,326) were obtained from a local Islamic financial institutions which are related parties (Note 18).

Loans and bank facilities are obtained against pledging the following assets:

	30 June 2017 KD	31 December 2016 (Audited) KD	30 June 2016 KD
Property, plant and equipment	18,386,842	19,108,247	19,625,010
Properties under development	999,037	688,011	499,923
Investment properties (Note 5)	120,100,818	120,317,114	123,314,707
Financial assets available for sale (Note 8)	6,696,551	5,598,756	4,994,968
	146,183,248	145,712,128	148,434,608

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2017

13 TRADE AND OTHER PAYABLES

	<i>30 June 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>30 June 2016 KD</i>
Trade payables	859,062	670,432	473,555
Due to related parties (Note 18)	803,732	721,363	954,172
Dividends payable	993,969	993,969	993,969
Accrued expenses and leaves	367,409	397,121	358,523
Refundable deposits	893,854	848,432	923,383
Kuwait Foundation for the Advancement of Science	39,344	39,344	39,344
National Labor Support Tax	165,682	192,163	216,954
Zakat payable	104,038	104,038	104,287
Provision for claims	1,228,455	1,323,656	1,461,240
Other payables	244,696	323,239	233,529
	5,700,241	5,613,757	5,758,956

14 NET INCOME FROM INVESTMENT PROPERTIES

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Rental revenues	863,451	568,144	1,832,014	1,021,335
Operating expenses	(200,042)	(194,078)	(406,899)	(282,834)
	663,409	374,066	1,425,115	738,501

15 NET INCOME FROM FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Gain from sale of financial assets available for sale	577,500	-	577,500	400
Dividends income	-	27,368	276,534	276,249
Impairment loss	-	-	-	(14,889)
	577,500	27,368	854,034	261,760

16 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share are calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted loss per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 30 June 2017.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
Loss for the period	(319,668)	(630,053)	(829,513)	(1,297,264)
Weight average number of ordinary outstanding shares (share)	505,225,024	505,225,024	505,225,024	505,225,024
Losses per share attributable to the Parent Company's shareholders (fils)	(0.63)	(1.25)	(1.64)	(2.57)

As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

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17 SEGMENT INFORMATION

The main activity of the Group represents the real estate commercial activities such as purchase and sale of lands and properties and investing them and managing properties for others. In addition, the Group invests its financial surpluses by investing directly in the share capital of the companies and financial portfolios managed by specialized parties and companies.

The activities segments of the Group, which are presented to the management, are represented in the following:

- Real estate segment: which represents all activities related to real estate including investment properties.
- Hotels segment: which represents all activities related to establishment, acquiring and managing hotels.
- Investment segment: which represents all activities related to investing in shares and share capital of the companies.

The following table presents the information about net revenues, costs, profits; (loss) and assets for each segment:

30 June 2017	<i>Real estate segment KD</i>	<i>Hotels segment KD</i>	<i>Investment segment KD</i>	<i>Unallocated items KD</i>	<i>Total KD</i>
Net revenues	1,832,014	973,206	877,272	(180,673)	3,501,819
Costs	(406,899)	(794,716)	-	(3,129,717)	(4,331,332)
Profits / (losses)	1,425,115	178,490	877,272	(3,310,390)	(829,513)
Assets	121,421,378	20,999,896	11,682,515	8,290,947	162,394,736
 30 June 2016	 <i>Real estate segment KD</i>	 <i>Hotels segment KD</i>	 <i>Investment segment KD</i>	 <i>Unallocated items KD</i>	 <i>Total KD</i>
Net revenues	1,021,335	1,045,048	287,380	450,883	2,804,646
Costs	(537,106)	(759,110)	-	(2,805,694)	(4,101,910)
Profits / (losses)	484,229	285,938	287,380	(2,354,811)	(1,297,264)
Assets	123,814,630	21,477,985	11,290,569	9,006,456	165,589,640

18 TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. In the ordinary course of business, the Group's transactions during the period included transactions with related parties represented by shareholders and the companies, in which they own principal interests and the Parent Company's key management.

The following is the statement of such transactions and balances:

	<i>Ultimate parent company KD</i>	<i>Entities under common control KD</i>	<i>Other related parties KD</i>	<i>30 June 2017 KD</i>	<i>30 June 2016 KD</i>
Transactions					
Dividends income	-	-	276,534	276,534	248,881
Rental expenses	-	20,400	-	20,400	20,400
Interests on loans and facilities	-	-	725,846	725,846	599,962
Marketing fees	-	-	6,281	6,281	4,377
Management fees	-	-	10,152	10,152	11,179
Reservation fees	-	-	3,140	3,140	1,738
Holidex fees	-	-	1,443	1,443	690

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18 TRANSACTIONS WITH RELATED PARTIES (continued)

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Ultimate parent company KD</i>	<i>Entities under common control KD</i>	<i>Other related parties KD</i>	<i>30 June 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>30 June 2016 KD</i>
Balances						
Due from related parties (Note 9)	349,402	20,444	12,222	382,068	66,240	54,000
Due to related parties (Note 13)	-	720,543	83,189	803,732	721,363	954,172
Advance payment for purchasing of investment property (Note 9)	-	-	-	-	15,488,747	-
Financial assets available for sale	-	-	6,863,617	6,863,617	5,782,251	5,178,147
Loans and bank facilities (Note 12)	-	-	29,296,140	29,296,140	29,214,664	29,143,326

Compensation of key management personnel

The remuneration of members of key management during the period were as follows:

	<i>30 June 2017 KD</i>	<i>30 June 2016 KD</i>
Salaries and remunerations	128,000	128,000

19 CONTINGENT LIABILITIES

	<i>30 June 2017 KD</i>	<i>31 December 2016 (Audited) KD</i>	<i>30 June 2016 KD</i>
Letters of Guarantee	24,191	24,191	133,919

20 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the Parent Company for the year ended 31 December 2016 was held on the 15th of June 2017. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have been approved by the shareholders of the Parent Company.